

**State of Colorado  
Department of Public Health and Environment**

**Agreed Upon Procedures  
for  
Colorado Children's Trust Fund**

**For the year ended June 30, 2003**

Office of the State Auditor  
State of Colorado

During the 1989 legislative session, the General Assembly passed House Bill 89-1216 which created the Colorado Children's Trust Fund within the Department of Social Work of Colorado State University (CSU) under the Department of Higher Education. This legislation was amended by Senate Bill 93-175, effective May 28, 1993, which increased the size of the Trust Fund's board to from seven to nine members and allocated the Trust Fund to the Department of Higher Education. This legislation was further amended by House Bill 00-1025, effective July 1, 2000, which allocated the Trust Fund to the Colorado Department of Public Health and Environment. The purpose of the Trust Fund is to help prevent child abuse and neglect. This includes reducing the incidence of child abuse and neglect for Colorado's children and reducing the need for state intervention in child abuse and neglect prevention and education. The Trust Fund issued 15 grants during Fiscal Year 2003. The Trust Fund has 2.1 full-time equivalent staff and receives most of its funding from the dissolution of marriage docket fee, federal grants, and interest.

The Federal Funds were transferred from the Department of Human Services pursuant to House Bill 00-1025. These funds were from the Community-Based Family Resource and Support grant award that is available for expenditures made in accordance with Sections 201 through 202 of Title II of the Child Abuse Prevention and Treatment Act.

We have performed the agreed-upon procedures enumerated below in order to assist the Office of the Colorado State Auditor and the Colorado Department of Public Health and Environment in meeting certain reporting requirements of the Colorado Children’s Trust Fund under Section 19-3.5-105(1)(i), C.R.S. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed upon procedures performed and our findings are as follows:

**Procedure 1:**

We have obtained the Comparative Balance Sheet and Statement of Revenue and Expenditures for Fund 229 – Colorado Children’s Trust Fund for the fiscal year ended June 30, 2003 and compiled the following schedule. In addition, we conducted an analytical variance analysis of all accounts by comparing the balances as of June 30, 2003 and as of June 30, 2002.

<b>Colorado Children’s Trust Fund Schedule of Revenues and Expenditures For the Fiscal Year ending June 30, 2003</b>			
	<b>State</b>	<b>Federal</b>	<b>Total</b>
<b>Revenue</b>			
Federal Grants	\$ -	\$ 101,990	\$ 101,990
Dissolution of Marriage Docket Fee	338,985		338,985
Interest Income	46,191		46,191
Donations	2,972		2,972
<i>Total Revenue</i>	388,148	101,990	490,138
<b>Expenditures</b>			
Grants and Contracts	318,763	53,410	372,173
Personal Services	109,229	39,150	148,379
Operating Expenses	7,054	689	7,743
Professional Services	7,000		7,000
Indirect Costs	27,614	8,741	36,355
<i>Total Expenditures</i>	469,660	101,990	571,650
<b>Excess of Expenditures Over Revenue</b>	81,512)		(81,512)
Intergovernmental Transfer <sup>1</sup>	(980,396)		(980,396)
Decrease in Fund Balance	(1,061,908)		(1,061,908)
Total Unrestricted Fund Balance, beg.	1,280,995		1,280,995
Total Unrestricted Fund Balance, ending	\$ 219,087	\$ -	\$ 219,087
<sup>1</sup> Under Senate Bill 03-191, \$980,396 was transferred from the Trust to the General Fund.			
<b>Source:</b> Data obtained from the Department of Public Health & Environment.			

**Result 1:**

We noted one significant variance between June 30, 2003 and June 30, 2002, which consisted of an Intergovernmental Transfer of \$980,396 from the Colorado Children's Trust Fund to the General Fund per Senate Bill 03-191.

**Procedure 2:**

We reviewed the procedures applicable to internal controls over revenue and cash disbursements for the Colorado Children's Trust Fund. These procedures were the same as those in place for the Colorado Department of Health and Environment. Therefore, we relied on the internal control testwork performed by us during the annual audit for Fiscal Year 2003.

**Result 2:**

No exceptions noted.

**Procedure 3:**

We tested compliance with internal controls over revenue and cash disbursements, including a review of the total salary and related benefit costs, and a review of contractor and grant disbursements. We selected two revenue receipts, two cash disbursement payment vouchers, and one employee for testing in order to determine compliance with internal controls.

**Result 3:**

No exceptions noted.

**Procedure 4:**

We reviewed the Colorado Children's Trust Fund policy requiring all newly funded programs to have a site visit conducted. We obtained the Trust's site visit reports on Boulder County Community Services Department, Catholic Charities, Centro do la Familia, Developmental Opportunities, Southwest Open School, and Summit County Youth and Family Services, these are the six newly funded programs for Fiscal Year 2003. Each report was reviewed to verify that it included a review of program progress, contract compliance, fiscal records and a discussion of program implementation and sustainability.

**Result 4:**

No exceptions noted.

### **Procedure 5:**

We reviewed the Colorado Children's Trust Fund policy requiring all funded programs to submit a six-month progress report by January 31<sup>st</sup> and year-end report by July 31<sup>st</sup>. We obtained the six-month and year-end reports for Catholic Charities, The Conflict Center, Fort Collins Family Center/La Familia, Prowers County Department of Social Services, and St. Joseph Hospital Foundation. Each report was reviewed to verify that it included a summary of the program's number of clients, outcome of the program, and an expenditure report. We also verified the reports were submitted timely.

### **Result 5:**

We noted that Prowers County Department of Social Services had not responded to questions on the six-month report and had not submitted a year-end report as of the date of our review. As a result, the second and third Grant payment had not been paid out. The remaining reports were reviewed without exception.

### **Administrative Expenditures**

During our procedures we found that CCTF expenditures exceeded revenue by about \$81,000 or about 17 percent. If expenditures continue to exceed revenue at this rate, the fund balance may be depleted within the next several years. During the June 1999 performance audit conducted by the Office of the State Auditor, the auditors found that the Trust Fund's administrative costs were unreasonably high given the low amount of funding it manages. We again found problems with high administrative costs during our current agree-upon procedures. We noted that program grant and contract expenditures equaled \$372,000, or only about 65 percent of total program expenditures; the remaining \$200,000, or 35 percent covered administrative costs such as personal services, operating expenses, professional services and indirect costs. We believe this is an excessive amount of administrative costs for the program. In particular, we found that the Department charged personal services costs of over \$148,000. These costs included about \$136,000 for 2.1 FTE for CCTF and retirement payouts totaling about \$12,000 for Prevention and Intervention Services for Child and Youth Division employees who had not worked for CCTF. These retirement payouts were improperly charged to the program and should be repaid by the Division. The remaining \$136,000 in personal services expenditures equates to about 7 grants per FTE or an annual cost of about \$9,000 in personal services costs for each grant.

After the conclusion of the agreed-upon procedures, the Department reported that .6 FTE and \$56,000 in revenues and personal services costs charged to the Trust were misclassified and should not have been include in the total personal services amount mentioned above. If the \$56,000 were excluded from the CCTF's expenditures, administrative costs would represent 28 percent of the total expenditures. This is still a high amount of overhead costs.

High administrative costs redirect dollars away from providing grants to local entities that fund services to meet the statutory intent of the program: to reduce the incidence of child abuse and neglect for Colorado's children. The Department should reevaluate all administrative costs for the CCTF, in particular the current level of FTE assigned to the program, and take steps to reduce administrative expenditures to a more reasonable level so that more funds are available for grants and expenditures do not exceed revenue. In addition, only program related costs should be charged to CCTF.

**Recommendation No. 1:**

The Department of Public Health and Environment should evaluate the administrative expenditures for the Colorado Children's Trust Fund and reduce them as appropriate to eliminate the deficit spending for the program.

**Department of Public Health & Environment Response:**

Partially agree. While the Department recognizes that a continuous evaluation of administrative expenditures (personal services, professional services, operating and indirect expenses) is an essential management tool, it is important to recognize the Colorado Children's Trust Fund (CCTF) has significantly reduced its administrative expenditures since the 1999 performance audit when the CCTF was administered by the Department of Social Work at Colorado State University. For example, the CCTF reduced its non-grant and non-contract costs per dollar awarded from \$.71 to \$.41, which reduced the rate of these expenditures from 42 percent to 28 percent of total expenditures. HB 00-1342, which created the Division of Prevention and Intervention Services for Children and Youth, moved the CCTF to the Department of Public Health and Environment. This bill also moved the federally funded Family Resource Center (FRC) program to the Department with no state funds allocated to this program. Due to the spending limitations of the FRC program, efficiencies were realized by assigning the CCTF staff to the management of the FRC program, with personnel, operating, and indirect costs for the FRC program paid by federal dollars. The FTE amount for the CCTF program was reduced from 2.5 in 1999 to 1.5 in Fiscal Year 2003 (2.5 appropriated) and is currently 1.3 in Fiscal Year 2004. A total of 2.1 FTE were assigned to the management responsibilities of both the CCTF and FRC programs and their \$1,088,846 in total grants and contracts for Fiscal Year 2003. If the total expenditures for both programs (CCTF and FRC) were combined, the non-grant and non-contract expenditures were only 15 percent in Fiscal Year 2003.

Implementation date: March 2004.

**Recommendation No. 2:**

The Department of Public Health and Environment should reimburse the Colorado Children's Trust Fund for the Prevention and Intervention Services for Children and Youth Division retirement payouts charged to the program.

**Department of Public Health & Environment Response:**

Disagree. As a result of the elimination of our Long Bill line item for retirement payouts during the 2003 legislative session, the Department was obligated to charge these expenditures to a limited number of funding sources. In addition, federal OMB Circular A-87 does not allow retirement costs to be directly charged to federal grants and approximately 75 percent of the Division's budget comprises federal funds. Given the unpredictability of retirement payouts and the timing of some retirements at year-end when spending authority is limited, the Division had no choice but to use CCTF to charge a small portion of the Department's retirement payout costs.

Implementation date: Not applicable.

**Scope**

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the Colorado State Auditor and the Colorado Department of Public Health and Environment, and is not intended to be and should not be used by anyone other than those specified parties.

Denver, Colorado  
September 19, 2003